CONTENTS

3  Fund Community Nonprofits by $461 Million

4  CT Nonprofit Workforce Crisis

6  Nonprofit Grant Program

7  Children's Mental Health

9  Protect Nonprofit Tax Exemptions

10 Nonprofit Community Services Save the State Money

12 Nonprofits are Economic Engines

14 About The Alliance
INCREASE FUNDING BY $461 MILLION FOR COMMUNITY NONPROFITS

The State has unprecedented budget surpluses; it’s time to support communities in need of services

Since 2007, community nonprofits have lost at least $461 million in state funding that has not kept pace with inflation, and then they were hit with COVID-19 and its costs and revenue losses. At the same time, demand for community services continues to increase. For example, The opioid crisis has increased the need for substance abuse treatment, yet grant funding has decreased and more than 2,000 people with Intellectual/Developmental Disabilities languish on a waiting list for services.

Inadequate funding issues are compounded by a two-year pandemic, rising inflation, increased demand and an unprecedented workforce crisis.

This comes at a time when the state has more money in its coffers than ever before, with surpluses of more than $5 billion.

Community nonprofits are on the front lines of the Coronavirus pandemic. They provide essential services in every city and town in Connecticut, serving people in need. They are a vital part of Connecticut’s economy, providing services that make our state safe, healthy and vibrant. Community nonprofits serve more than 500,000 people every year. Community nonprofits:
• Employ 115,000 people, 7% of Connecticut’s workforce;
• Treat people with addiction and those suffering from the opioid crisis
• Help people return to their communities from prison;
• Support people with developmental disabilities; Shelter and feed families in need;
• Enrich communities with cultural and artistic programs; and more.

The legislature should increase funds to nonprofit services by $461 million, to keep pace with increased costs and demand over the last thirteen years. The legislature should:
• Commit to increasing funding by the full $461 million, or 28%, by Fiscal Year 2026;
• In keeping with that plan, increase funding by at least 8% in Fiscal Year 2023
• Index increases to inflation, to ensure that state funding will keep pace with increased costs in the future.

For a detailed analysis of The Alliance's funding request, read the full funding proposal here. Contact Ben Shaiken, Director of Government Relations, at shaiken@ctnonprofitalliance.org for more information.
Community nonprofits serve those in need, enabling people to thrive in an imperfect world. In 2022, nonprofits, so adept at dealing with crises, are dealing with an emergency of their own. In the wake of the pandemic, community nonprofits are facing an unprecedented workforce crisis on top of ongoing issues related to inadequate funding.

The Alliance surveyed its membership to better understand how these issues are impacting nonprofits and the people they serve. Ninety one percent of nonprofits surveyed reported that it has been extremely difficult or difficult to recruit employees this past year, with an average vacancy rate of 18%. The top factors affecting nonprofit organizations’ ability to recruit/retain staff include lack of applicants (81%), inability to offer a competitive salary (80%), and staff burnout (66%), among other factors.

It is no longer enough to convince potential employees that nonprofit work is noble work, employees must be adequately compensated, especially when there is competition for their services.

Community nonprofits are now in competition with employers such as Amazon and Walmart that require no specialized training, are paying more and offering more hiring incentives. Nonprofits are at a disadvantage with limited support from the State, which has historically underfunded them and to date has not provided sufficient critical support which could be used to raise wages.

This unprecedented workforce crisis comes at a time when demand for services has increased dramatically. Sixty eight percent of respondents said that demand for services has increased over the past two years. Of those respondents, 11% stated that services have increased by more than 50%, and 30% said that demand for services increase by 25-49%.

Community nonprofits are facing a no-win situation. They need the commitment of policymakers to help solve this crisis. Now more than ever, it is critical that the state fulfill The Alliance’s $461 million funding plan for community nonprofits and provide at least an eight percent Cost of Living Adjustment for Fiscal Year 2023.
Nonprofits say their employees are “hanging on by their fingernails.” They are having difficulty hiring at all levels, from psychiatrists and APRNs to residential staff. With clinician vacancies alone, 3,520 people are unable to access life-saving care, and they report experiencing 120 full- and part-time positions vacant out of a workforce of 900. They might not even be able to keep their residential programs open as positions that used to get 20 applicants now get “1 or 2, if that.” One provider says their employees have been working multiple shifts, wearing masks, and risking exposure to COVID-19. They say they have 45 open positions out of a total staff of 363 – that’s 12% of their workforce.

When asked how staff are impacted by hiring challenges, some cite low morale and stress, but an overwhelming majority say burnout by name. One provider says, “Staff are stretched to the max and experiencing burnout due to the weight of additional responsibilities. Tension is high and tempers are short.”

Nonprofits say that current staff are exasperated and frustrated, feelings that negatively impact both the workplace culture for clients and staff. The feelings are warranted: nonprofit staff are having to work overtime or longer shifts to compensate for loss of staff in other areas. One provider says, “Because staff are/were working so many additional hours, in addition to experiencing burnout, incentivizing the open shifts is no longer proving to be effective.”

**Nonprofit Workforce Crisis By The Numbers**

- **59%** Of nonprofits currently have a waiting list for services
- **68%** Of nonprofits say that demand for services has increased
- **18%** Average vacancy rate for nonprofits
- **91%** Of nonprofits report that it is difficult to recruit employees

**Recommendations**

- Continue to implement The Alliance’s $461 million funding increase request (an eight percent Cost of Living Adjustment for Fiscal Year 2023)
- Create a tuition reimbursement and loan forgiveness program for community nonprofit staff
- Temporarily relax requirements or provide waivers for staff credentials, allowing qualified staff to begin practicing without waiting for administrative hurdles to be cleared.
- Reduce or eliminate tuition for community nonprofit staff at state institutions of higher education

*Read The Alliance’s full survey report on nonprofit workforce shortage here.*
Enhancing Service Delivery, Efficiency and Effectiveness

The Nonprofit Grant Program (NGP) provides bond-funded grants-in-aid to community health and human service nonprofits to enhance service delivery and address health, safety and accessibility issues. Every time a new Request For Proposals is posted for the grant, an overwhelming number of applications are submitted, highlighting the urgent need to support the nonprofit workforce, especially now, as they remain on the front lines of the COVID-19 pandemic and are critical to the State’s recovery.

NGP funds allow community nonprofits to invest in capital and infrastructure projects, such as renovations to facilities and telehealth systems critical to service delivery, especially during the pandemic, that allow quality programs and services to continue for people in need.

The COVID-19 pandemic has drained many nonprofits of resources, including funding they may have saved for capital and infrastructure projects. Investments in these capital and infrastructure projects – one-time expenditures – frees up nonprofit dollars that can be used for services which will benefit the community in which they work. The Nonprofit Grant Program is a smart fiscal investment, ensuring that community nonprofits continue to meet demand for services during COVID-19. Below are a few examples of projects that have had a positive impact in communities across the state:

- **Repair of an emergency shelter for female victims of domestic violence and their children.**
  The shelter operated over capacity for each of the past five years and a lack of funding prevented much needed renovations necessary for making the space a safe and welcoming environment.

- **Development of a new training and conference center**
  The Center trains individuals and families struggling with mental illness, substance abuse, HIV/AIDS, release from incarceration and homelessness with job trainings and preparation for careers in the trades and other highly employable fields.

- **Installation of a Voice Over Internet Protocol (VOIP) telephone platform**
  The platform has helped more than 30,000 patients, professionals and community members served each year. The VOIP system has reduced service interruptions due to equipment failures, increased patient and staff safety and reduced operating costs.

**RECOMMENDATION**

The State should continue investing $25 million in each year of the biennium to the Nonprofit Grant Program.

The State Bond Commission should allocate the previously authorized $60 million to community nonprofits.

**CONTACT US**

Gian-Carl Casa, gcasa@ctnonprofitalliance.org
Jeff Shaw, jshaw@ctnonprofitalliance.org
Ben Shaiken, bshaiken@ctnonprofitalliance.org
Brunilda Ferraj, bferraj@ctnonprofitalliance.org
Julia Wilcox, jwilcox@ctnonprofitalliance.org
CHILDREN’S MENTAL HEALTH CRISIS CONTINUES TO WORSEN

Mental illness and addictions affect children, adolescents and families year-round, and the work of nonprofits in addressing them is never-ending. A report compiled by The Child Mind Institute reveals that more than 17 million children have had a diagnosable mental health disorder, but most will not receive treatment. As many as six percent of children between the ages of six and seventeen – as many as 33,000 children in Connecticut – live and struggle daily with serious mental health issues, according to the Centers for Disease Control and Prevention and the U.S. Census Bureau.

In Connecticut, the children’s mental health crisis continues to worsen, with community providers reporting an unprecedented high volume of children and families with more acute illnesses – including those at high risk for suicide – as the COVID-19 pandemic continues to wreak havoc on communities. The crisis is best illustrated through the immense and ongoing increase in in Emergency Department (ED) use by children who have behavioral health conditions, including mental health and substance use problems. Hospital emergency departments are often overwhelmed with more children in acute crisis than they have the capacity to treat. The CT Mirror reports that “throughout the month of April, more than 30 children with psychiatric needs waited in

RECOMMENDATION

The full extent of the pandemic’s impact on children’s mental health has yet to be realized, but policymakers cannot wait to act in addressing the issue. Now more than ever, it is critical that the state fulfill The Alliance’s $461 million funding plan for community nonprofits and provide at least an eight percent Cost of Living Adjustment for Fiscal Year 2023. We must urgently invest in community nonprofits who make up the bulk of our children’s mental health delivery system and are the ones delivering direct supports.
Connecticut Children’s 48-bed emergency department on any given day. By the end of the month, that number increased to an average of 40 children showing up in the hospital’s emergency department on any given day, the highest day registering at 47.”

Emergency Departments are inappropriate settings in which to treat children dealing with behavioral health disorders, and action is needed to ensure access to community services and strengthen the community-based system of care. This will ensure that ED services are used much less frequently, stays in EDs are much shorter, and that diversion and step-down options are more readily available.

In the face of the pandemic, providers have adapted to develop and implement innovative strategies that support children’s behavioral health. These strategies enabled providers to reach families and provide needed care in a way that advances optimal and equitable health and well-being. But providers’ ability to fully respond to children’s mental health needs is hampered by a lack of funding to expand services and provide adequate wages to staff in the midst of a workforce crisis.

In a recent survey of Alliance members, 91% of respondents surveyed reported that it has been extremely difficult or difficult to recruit employees this past year, with an average vacancy rate of 18%. Sixty eight percent of respondents said that demand for services has increased over the past two years. Of those respondents, 11% stated that services have increased by more than 50%, and 30% said that demand for services increase by 25-49%. Community nonprofits are facing a no-win situation. They need the commitment of policymakers to help solve this crisis.

The full extent of the pandemic’s impact on children’s mental health has yet to be realized, but policymakers cannot wait to act in addressing the issue. Now more than ever, it is critical that the state fulfill The Alliance’s $461 million funding plan for community nonprofits and provide at least an eight percent Cost of Living Adjustment for Fiscal Year 2023. We must urgently invest in community nonprofits who make up the bulk of our children’s mental health delivery system and are the ones delivering direct supports.

In addition, as the legislature considers reforms to the children’s mental health system and legislation to address the crisis, we encourage the legislature:

- Strengthen capacity in programs like Residential Treatment, Intensive Outpatient (IOP), Outpatient Services and Enhanced Care Clinics (ECCs), and Extended Day Treatment (EDT) to meet access standards and mitigate the ED crisis.

- Collect data showing the outcomes for children and families that the state’s behavioral health service system generates, and mandate that state agencies justify programmatic reductions and procurement changes with documented needs, with legislative approval.

- Establish an independent oversight body, or empower an existing body, tasked with the children’s behavioral health system, and provide it appropriate capacity to conduct research and make recommendations to the legislature.
PROTECT NONPROFIT TAX EXEMPTIONS

Many Assessors Still Wrongfully Taxing Nonprofits

Community nonprofits have long been exempted from property taxes for good reason: they provide services so government doesn’t have to.

State law specifically exempts group homes for people with disabilities, drug or alcohol treatment facilities, housing for people experiencing homelessness, domestic violence shelters, and more. But despite a unanimous State Supreme Court decision upholding the tax exemption of these programs in September 2021, some assessors are still denying their applications.

Wrongful denials of property tax exemptions force community nonprofits, burdened by years of state budget cuts, to choose between costly litigation and paying taxes on property that is exempt by state law. Either option diverts critical funding away from essential services for people in need.

Some nonprofits report property was recently assessed for taxes after a history of it being exempt, yet almost all facilities being assessed had not undergone a change of use.

Many nonprofits rely on the State for funding and have limited options in the face of increasing costs. They can’t raise fees or charges, forcing them to cut services, close programs or lay off employees. In addition, nonprofits are now facing costs and revenue losses from COVID-19 after years of state budget cuts and flat funding. Potential donors may hesitate to contribute if the money is going to taxes rather than services.

Put simply: there is no place to find the funding to pay property taxes except by cutting direct services to the community.

Policymakers should clarify that nonprofit property used for charitable purposes is exempt from property tax in all municipalities. Paying nonprofit property taxes diverts critical funding away from direct services to communities.
Community nonprofits are partners with the State to serve people in need; they provide exceptional services that improve the quality of life for more than a half million people receiving care at a lower cost than services delivered by the State. As the need for essential community services continues to grow, the State should expand the use of community services to use limited dollars more effectively for services to those in need.

Further, this year a significant number of state employees are expected to retire, presenting the state with a rare opportunity to make real, structural change. Connecticut has an opportunity to save money, preserve services and serve more people right now. In the coming year, Connecticut state government is facing what some call a “retirement tsunami,” with thousands of state employees leaving state service. At the same time, there is a growing need for human services, with children languishing in hospital emergency departments and families spending years on waiting lists for limited services. Structural changes will make these services more affordable in the short- and long-term and will allow the State to better serve those already receiving services and expand the availability of services to all who need them.

In the face of these pending retirements, and to propose other ways to modernize state government, the Lamont Administration commissioned a study and report from the Boston Consulting Group in 2020. After analyzing the state’s own internal data, the group’s report included recommendations to convert services for people with Intellectual/Developmental Disabilities and the Local Mental Health Authority system of care to nonprofit providers.

What follows are excerpts from the report highlighting two areas of opportunity.

Intellectual/Developmental Disability Services

DDS currently operates 36 group homes and other facilities state-wide that provide services for Connecticut residents with intellectual disability – the Southbury Training School (STS), 3 Intermediate Care Facilities (ICFs), and 32 Community Living Arrangements (CLAs). The 36 DDS-operated group homes and facilities comprise a small share of the total number of Connecticut settings providing services to people with intellectual disability. The vast majority – more than 800 – are operated by private providers that are typically not-for-profits which offer similar services, often at a substantially lower cost.
DMHAS operates six Local Mental Health Authorities (LMHAs), with two providing inpatient treatment. An additional seven facilities are operated by private, non-profit providers. With the 2022 retirement surge likely to impact the DMHAS workforce significantly, expanding service provision in non-profit LMHAs is an opportunity for Connecticut to mitigate service continuity risks and realize substantial cost savings.

Both state- and privately-operated LMHAs offer a variety of behavioral health services for residents, ranging from psychiatric evaluation and medication management to providing support in obtaining and maintaining employment. LMHAs also manage and fund a network of non-profit providers in their associated geographic regions and facilitate resident access to those providers.

At DMHAS, 169 nurses and 196 mental health assistants (30% and 45%, respectively, of total DMHAS employees in each function) are eligible for 2022 retirement. The results of a survey indicate that that 20% and 35% of nurses and mental health assistants, respectively, may retire by July 2022. Given the challenges DMHAS has historically experienced filling vacancies, including the stressful nature of the position and competition from the private sector, state-operated LMHAs may be at risk of significant service disruption.

Further conversion of LMHAs to non-profit operation could both mitigate the risk of excess vacancies and realize substantial cost savings for the State. State-operated LMHAs service roughly 12,000 residents annually at higher cost than non-profit providers. Analysis based on 2016 costs suggests savings of just over 55%, or roughly $7,000 per client, when non-profit providers perform services compared to state-provided services. The actual ceiling for savings depends on the extent of conversion and the State’s ability to attract bids from non-profit providers at cost-efficient rates but could be $50m to $75m with potential for additional upside.

Privately operated facilities provide similar or greater service quality compared to state-operated facilities. A 2011 study conducted by the Connecticut Program Review and Investigations Committee found that privately-operated facilities had fewer deficiencies per facility based on inspections conducted by DDS and the Department of Public Health (DPH).

Local Mental Health Authorities

DMHAS operates six Local Mental Health Authorities (LMHAs), with two providing inpatient treatment. An additional seven facilities are operated by private, non-profit providers. With the 2022 retirement surge likely to impact the DMHAS workforce significantly, expanding service provision in non-profit LMHAs is an opportunity for Connecticut to mitigate service continuity risks and realize substantial cost savings.

Both state- and privately-operated LMHAs offer a variety of behavioral health services for residents, ranging from psychiatric evaluation and medication management to providing support in obtaining and maintaining employment. LMHAs also manage and fund a network of non-profit providers in their associated geographic regions and facilitate resident access to those providers.

At DMHAS, 169 nurses and 196 mental health assistants (30% and 45%, respectively, of total DMHAS employees in each function) are eligible for 2022 retirement. The results of a survey indicate that that 20% and 35% of nurses and mental health assistants, respectively, may retire by July 2022. Given the challenges DMHAS has historically experienced filling vacancies, including the stressful nature of the position and competition from the private sector, state-operated LMHAs may be at risk of significant service disruption.

Further conversion of LMHAs to non-profit operation could both mitigate the risk of excess vacancies and realize substantial cost savings for the State. State-operated LMHAs service roughly 12,000 residents annually at higher cost than non-profit providers. Analysis based on 2016 costs suggests savings of just over 55%, or roughly $7,000 per client, when non-profit providers perform services compared to state-provided services. The actual ceiling for savings depends on the extent of conversion and the State’s ability to attract bids from non-profit providers at cost-efficient rates but could be $50m to $75m with potential for additional upside.

When evaluating the feasibility of conversion, it is vitally important to maintain service quality to residents. DMHAS’ Evaluation, Quality Management & Improvement (EQMI) Division conducts annual provider quality reports for both state- and privately-operated LMHAs, and consistently finds that non-profit providers meet quality and overall performance targets. Current indicators suggest non-profit providers offer service quality comparable to that of the State, and continued monitoring will ensure ongoing quality of service.
**NONPROFITS ARE AN ECONOMIC ENGINE**

CT Nonprofits are critical to Connecticut’s Recovery from the COVID-19 Pandemic

Community nonprofits are the backbone of local communities, the health and human services delivery system and have been on the frontlines of the COVID-19 pandemic response. These organizations support people with intellectual/developmental disabilities, treat people with mental health and substance abuse needs, feed the hungry, house people experiencing homelessness, and provide arts and culture that make our communities vibrant. Nonprofits also represent a significant portion of Connecticut's economy.

Community nonprofits that are tax-exempt under Section 501(c)(3) of the Internal Revenue Code must operate for the public benefit. They must be organized to achieve specific charitable, religious, educational, scientific, or literary purposes and operate differently from for-profit businesses. They reinvest any net earnings back into their missions; publicize financial and governance documents, and are prohibited from engaging in partisan politics.

**Nonprofit Workforce**

Community nonprofits employ 115,000 people (or 7%) of Connecticut’s workforce. Those 115,000 community nonprofit jobs (not including colleges or hospitals) are larger than agriculture, construction, wholesale trade, transportation and warehousing, information, finance and insurance, real estate, professional services, management enterprises, educational services, arts, entertainment and recreation, lodging and food service and a number of unclassifiable industries.

The nonprofit sector pays more than $13.5 billion in wages. Though nonprofit organizations are tax-exempt, nonprofit employees pay taxes – state income taxes, local and state sales taxes, and property taxes. They add to the economy by buying houses, cars, food, computers, clothes, home products, and other consumer items.

Nonprofits also employ a much higher proportion of people of color than other industries. Nonprofits want to recognize their critical workers by providing better compensation, but are at a disadvantage, operating on fixed contracts with the state as the primary funder. The state has historically underfunded nonprofits on top of years of inflation, making it impossible to elevate wages and benefits these workers desperately deserve.
Policymakers should support public policies that allow community nonprofits to advance their missions. By honoring the plan to increase funding to community nonprofits by $461 million, community nonprofits can help Connecticut recover from the effects of the COVID-19 pandemic now and in the future.

**Recommendation**

Nonprofit Economic Impact

Nonprofits put tens of billions of dollars into Connecticut’s economy each year. They generate economic activity by purchasing goods and services for their operation locally, providing essential services which help people live productive and meaningful lives, and improving the quality of life in communities across the state.

As an example, a nonprofit provider in Manchester recently calculated the annual economic impact of fifteen group homes the organization operates. The nonprofit found that combined, their group homes spent almost $1 million annually in the local economy; $336,000 on groceries, $213,000 on utilities, $88,000 on gas for vehicles, and $80,000 on snow removal/landscaping. Of the almost 100 residents who live in the homes, they spent $192,000 locally.

Nonprofits Volunteer Impact

Nonprofits are uniquely positioned to leverage private contributions and donated volunteer time (estimated value of volunteer time is $28.54 per hour) for the public benefit. Volunteers hold up the foundation of our communities by helping neighbors, serving local organizations, and providing expertise. No matter what kind of volunteer work they do, they are contributing in invaluable ways.

Gian-Carl Casa, gcasa@ctnonprofitalliance.org
Jeff Shaw, jshaw@ctnonprofitalliance.org
Ben Shaiken, bshaiken@ctnonprofitalliance.org
Brunilda Ferraj, bferraj@ctnonprofitalliance.org
Julia Wilcox, jwilcox@ctnonprofitalliance.org
The Alliance is the statewide association of community nonprofits in Connecticut. Our mission is to advance excellence in community-based nonprofits through advocacy and capacity building.

Our nonprofit members provide essential services including substance abuse and mental health treatment, support and residential programs for people with intellectual and developmental disabilities, children's behavioral health, homeless and domestic violence shelters, re-entry programs and more.

We advance strategies and public policies that make it possible for nonprofits to thrive as they continue to fulfill their missions.